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# Bermuda

**Working paper prepared by the Secretariat**

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# I. Background information

1. Bermuda[1] is located in the western part of the Atlantic Ocean, about 917 kilometres east of the North Carolina coast of the United States of America. The Territory consists of 8 major islands and 130 smaller islands. The largest is Great Island, or Main Island. Hamilton, the capital, and St. George's, are the two main towns.

2. Until recently, it was considered that Bermuda was discovered in 1503. Local historians now believe the Spanish navigator Juan de Bermudez first spotted Bermuda in 1505. On the basis of the new historical evidence, the celebrations marking the 500th anniversary of the discovery of Bermuda, which had initially been scheduled for 2003, will be held in 2005.[2] In 1609, Bermuda was settled by a group of English colonists and in 1610, the first slaves were brought to work on the farms and to dive for pearls. In 1620, the first Parliament was held after the Crown granted the colony limited self-government. In 1968, Bermuda was granted internal self-government and a new Constitution. In 1995, a referendum was held on the question of independence. Of the 58.8 per cent of eligible voters who participated, which is a small number by Bermudian standards, 73.6 per cent voted against independence.

3. At the end of 2002, the Government released the official figures of the 2000 census. According to the census, Bermuda's population has grown by 6 per cent to 62,098 since the last census in 1991. The number of foreign-born inhabitants grew by 12 per cent and represented around 30 per cent of the population. The work force grew to 36,878, an 11 per cent rise over the decade. The inhabitants of African descent constituted 55 per cent of the population, while 34 per cent was of North American or European descent. The Territory is very densely populated (1,180 inhabitants per square kilometre). It is also on the list of countries with the highest urban population, as 100 per cent of its population lives in urban areas.

# II. Constitutional and legal issues

## A. General

4. Bermuda is a Non-Self-Governing Territory administered by the United Kingdom of Great Britain and Northern Ireland. The Constitution of Bermuda, adopted in 1968 and amended in 1973, 1979 and 1989, contains provisions relating to the protection of fundamental rights and freedoms of the individual. The Governor is appointed by the Queen and the Government of the United Kingdom, after consultations with the Premier. The Governor is responsible for defence, external affairs, internal security and the police. Bermuda has a parliamentary system of government. The Government of Bermuda comprises a Governor, a Deputy Governor, a Cabinet and a bicameral legislature with a House of Assembly of 40 members directly elected for a five-year term and a Senate of 11 appointed members. Five members of the Senate are appointed by the Governor, on the advice of the Premier, three on the advice of the leader of the opposition and three by the Governor at his discretion. The Territory maintains a 700-strong Defence Regiment; the adult male population is subject to military conscription, involving three years'

part-time liability for weekly drills and an annual camp. It has a police force of approximately 450 full-time officers and several hundred part-time police reserves.

5. Bermuda's law and legal system are based on English common law and principles of equity, English statute law in force since 1612 and Acts of the Bermuda Parliament passed since then. The judiciary is a separate body from the Government and its members are not elected but appointed on the advice of the Chief Justice. There are three courts presiding in Bermuda, namely, the Magistrates' Court, the Supreme Court and the Court of Appeal.

6. In October 2001, John Vereker was appointed the new Governor of Bermuda. He took office in April 2002.

7. There are three political parties in the Territory. The Progressive Labour Party (PLP) was the first party to be formed in Bermuda in 1963 to gain representation and power in a white-controlled political and economic system. The United Bermuda Party (UBP) was formed in 1964 by whites opposed to PLP policies. The National Liberal Party (NLP) seeks a middle ground. The Premier is chosen from the majority party and heads a Cabinet of no more than 14 members of the legislature.

8. Bermuda voters in the general and other elections or referendums must be over 18 years of age. They are Bermudian by birth or status, or non-Bermudian, long-term residents of Bermuda who are citizens of the British Commonwealth and were registered to vote annually since 1979. Automatic citizenship applies to children born in Bermuda, except to those without either parent being Bermudian by birth or status.

9. In the last general election in Bermuda, held on 9 November 1998, PLP won a majority of 12 seats in the territorial legislature, defeating UBP and taking power for the first time in the 35 years since the party system began in 1968. Jennifer Smith was appointed as Bermuda's first PLP Premier. PLP has traditionally been a pro-independence party, though the Premier pledged that the question of independence would not be raised in the first term of office of PLP. Since the general election, there have been three bi-elections, all won by UBP.[3] The next general election will be held in November 2003.

10. In May 2002, the Overseas Territories Act came into force after having received royal assent in the United Kingdom. The Act provides British citizenship to its Overseas Territories peoples, including Bermudians. That law allows Bermudians to hold British passports and work anywhere in the European Union.

## B. Political issues

11. The question of constitutional reform proposed by the ruling PLP party continued to dominate Bermuda politics for the past year. The reform intended, among other things, to equalize the size of voting constituencies and to replace the current two-member constituencies with single-member ones. The PLP Government believed that the existing system was weighted in favour of UBP and that the election to power of PLP gave it authority to enact the reforms. The opposition argued that public consultation on the matter was essential. In 2001, UBP submitted an 8,500-signature petition to the British Government, demanding a constitutional conference or a referendum before changes were made.[4] The United Kingdom

Foreign and Commonwealth Office, which must give the final approval to any constitutional changes, insisted that "demonstrable" consultations take place before it would consider giving its approval to the proposed changes. The Premier promised to organize a series of public meetings to discuss all the proposals.

12. The Boundaries Commission, established in 2001, was entrusted with the task of making recommendations on the boundaries and on a number of constituencies (between 20 and 40) in a new single-seat electoral system, in place of the system with parish-based seats. In September 2002, the Commission presented a report to the House of Assembly that proposed a new electoral system with 36 electoral districts of similar size. Each district would send a single representative to Parliament. In October 2002, the House of Assembly approved the proposal and transmitted it, through the Governor, to the British Minister of State for Foreign and Commonwealth Affairs for approval and implementation. UBP did not prevent the proposal from passing through the Assembly, but it criticized PLP for not consulting the opposition during the preparation of the report.[5] The way the current constitutional changes have been handled represents a departure from the procedure followed on previous occasions of constitutional amendments. The Government presented its recommendations to the British Government for formal approval, claiming that sufficient consultations had already taken place within Bermuda, rather than expecting further consultations with the British Government. UBP opposed that procedure, which bypassed the consultations with the United Kingdom, and confirmed that UBP intended to fight against the new electoral system.

13. At the time of establishing the Boundaries Commission, the Order in Council categorically stated that "no account shall be taken of the racial distribution of voters in Bermuda". However, the UBP opposition pointed out that the changes had racial motivations. While the PLP representatives maintained that the reform would create parity and equality for all voters, they acknowledged that the black population of the Territory would be de facto empowered by the reforms.[6]

14. According to the Economist Intelligence Unit, the PLP Government is expected to retain power in the November 2003 election, albeit with a reduced majority. In the preparation for the coming election, the opposition UBP announced its platform, which includes returning the Attorney General to independent status, the privatization of the Ministry of Tourism, the creation of the Ministry of International Business and other changes to streamline government operations. UBP will campaign on the failure of the PLP Government to keep its electoral promises, on accusations of corruption and the poor government economic record following two consecutive years of stagnation.[7]

## III. Budget

15. Despite the uncertainty of the world economy, Bermuda Government revenues continued to rise mostly as a result of the good performance of the international business sector. The 2002-2003 budget projected a 5 per cent increase in revenue over the original estimations, from the projected $609 million, to the revised $641 million, while expenditures remained essentially unchanged, falling from the original $695 million to the revised $686 million. The deficit thereby declined from the expected $85 million to $45 million. According to the Economist Intelligence Unit, the actual current revenues rose by 7 per cent during the period from January

to September 2002. While income from the payroll tax fell by 2.8 per cent, revenues from the international business companies grew by 8.5 per cent. Total government spending rose by 13.4 per cent, mostly owing to a massive increase of over 52 per cent in procurement related to public works projects. Public finance remained in surplus but the size of the surplus diminished considerably to $5.9 million from over $31 million in the previous year. The current account surplus also narrowed to $60 million in the first three quarters of 2002, down from $71 million.[7]

16. According to the Bermuda Budget Statement,[8] the 2003-2004 budget projects current account revenue of $650 million, an increase of 6.7 per cent over the original estimate for 2002-2003 and an increase of 1.4 per cent over the revised estimate. The principal sources of revenue will be customs duties ($186 million), payroll taxes ($185 million), international company fees ($49 million) and land taxes ($40 million).

17. Current account expenditure for 2003-2004 is projected to be $625 million. That expenditure is allocated as follows: Ministry of Health and Family Services, $132 million; Education and Development, $104 million; Finance, $82 million; Labour, Home Affairs and Public Safety, $85 million; Transport, $54 million; Work and Engineering, $52 million; and Tourism, Telecommunications and e-Commerce, $44 million.

18. In the 2003-2004 budget, it is projected to invest $103 million in capital expenditure, on a priority basis, in education, equipment, airport, housing, transport, health and safety. Expenditure for education includes $28 million for the further development of the second senior school, $3.5 million for three middle schools and $5.3 million for equipment. The allocation for Transport includes $6 million for airport upgrades and $2.6 million for the replacement of Somerset ferries. The allocation for Health and Family Services includes $6.6 million for rest home renovation and new development. According to the budget documents, capital grants will be provided to the National Sports Centre and the Bermuda Land Development Company, while other construction works, such as Hamilton Police Station, Magistrates Court and Residential Care Facilities, will be delayed to avoid overheating in the construction industry.

19. The public debt has a statutory ceiling of $250 million, 7 per cent of Bermuda's 2002 gross domestic product (GDP) of $3.1 billion. No tax increases will be introduced in the budget.[9]

## IV. Economy

### A. General

20. Bermuda has no natural resources, in the conventional sense, upon which to build a viable economy. It has historically capitalized on its location and scenic beauty and has developed a renowned tourist industry. Financial services, international business and tourism are the main economic sectors and account for the bulk of the Territory's foreign-exchange earnings. The 2000 census statistics have confirmed Bermuda's transition from a two-pillar economy based on tourism and international business to an economy based on offshore financial services with a tourism industry as a support. The public sector plays a large role in Bermuda's

economy. More than 13 per cent of the workforce is either directly or indirectly employed by the Government. Manufacturing and agriculture exist on a limited scale and therefore contribute little to the economy of Bermuda. The local manufacturing sector includes printing, fish processing, ship repair and tourist-related crafts, as well as the manufacture of paint. Agricultural activity is constrained by the small amount of land available for farming. Some production of vegetables and citrus fruits is undertaken and flowers are grown for export. Construction is becoming a more significant sector, employing 6.9 per cent of the labour force in 2000, compared to 3.2 per cent in manufacturing. Bermuda imports 90 per cent of its food requirements. Bermuda's openness to the world economy and strong links to the United States economy largely determine its pattern of economic growth.

21. Per capita GDP in Bermuda is one of the highest in the world. According to *The Economist*, it is $41,000. At the same time, Bermuda's high cost of living relegates it to ninth place on the list of countries with the highest purchasing power. Preliminary estimates of GDP growth in 2002 suggested a modest increase of 1 per cent ($3,579.3 million) following the 1.2 per cent growth in the previous year. Inflation was 2.3 per cent. There was a 0.5 per cent increase in employment in 2002.

22. Although 11 September 2001 events had led to a fall in tourism, the loss of revenue was compensated by the boost in insurance activity. That sector is still growing and Bermuda has over 1,400 exempted insurance companies with an aggregate capital and surplus in excess of US$ 100 billion. That capital and surplus is divided between the self-insurance and the commercial reinsurance markets. The Bermuda market is often described as an alternative risk transfer (ART) market, but it has evolved into a significant global centre for traditional insurance and reinsurance needs as well.

## B. Financial services

23. Foreign banks are not allowed to operate in Bermuda; as a result, local banks benefit from a quasi-monopoly in handling lucrative international business operations for offshore clients. The Bank of Bermuda, founded in 1889, is ranked as the world's 684th largest bank and the Bank of Butterfield is ranked 795th. A third bank, the Bermuda Commercial Bank, founded in 1969 and the only bank that is owned by Bermudians of African ancestry, was acquired in 1993 by First Curaçao International Bank, based in the Netherlands Antilles. There is no central bank in Bermuda. Instead, the Bermuda Monetary Authority is the regulatory authority of banks and trust companies. Bermuda is one of the world's leading offshore financial and business centres and the third largest insurance market.

24. Although the 11 September attacks had an enormous effect on the insurance market, the capital and reserves were adequate to meet all the claims. Moreover, the long-term effect on that sector of the economy was positive with the attraction of new capital and major new reinsurers to the Territory. In fact, the insurance industry has experienced a period of rapid growth and remains the most active part of the financial sector. In 2002, growth was driven by the formation of more than 100 new reinsurers. Bermuda offers to the reinsurance industry an effective partnership between the private and public sector and has become the domicile of choice for the insurance and reinsurance market.

25. As was reported in the previous working paper (A/AC.109/2002/15, para. 23), Bermuda had been trying to develop its e-commerce business along the same lines as its insurance industry since 1999, namely concentrating on corporate headquarters rather than on massive sales operations. However, the failure of that strategy has led the Government to rethink Bermuda's position and policies in the sector. According to the Economist Intelligence Unit, the Government is preparing a Green Paper outlining its legislative and administrative intentions. The Green Paper will replace the National Plan and will be presented later in 2003.[13]

26. As was reported in previous working papers (A/AC.109/2001/9, paras. 39-41 and A/AC.109/2002/15, para. 24), Bermuda's international financial system has come under scrutiny by the Organisation for Economic Cooperation and Development (OECD). Owing to the fact that Bermuda agreed to bring its practices up to international standards, it was not included on the lists of uncooperative jurisdictions.

27. During the period under review, Bermuda continued to improve its legislation related to financial services. In particular, the Insurance Amendment Act 2002, which came into force in October 2002, provided the Bermuda Monetary Authority (BMA) with new powers to obtain information and reports from insurers. The Act gave BMA the legal authority to introduce on-site supervisory review for long-term Bermuda insurers. At the beginning of 2003, the Companies Amendment Act 2003 introduced an alternative to traditional financial regulations, replacing it with a more flexible system. The new system will conveniently allow existing Bermuda clients to form companies in non-restricted sectors in a single day, while restricted areas such as financial services and brokerage would require more formal registration and licensing procedures. Activities such as armaments, gambling and pornography remained off-limits under the new legislation and were more clearly defined. According to the Economist Intelligence Unit, the new Act contains the most comprehensive amendments to corporate law and addresses a wide range of financial operations. The Act suits the requirements of the various international initiatives that had reviewed offshore business activity in the past four years. The Act also provides new powers for the Minister of Finance to obtain information in order to assist foreign regulatory authorities.

28. Nevertheless, during 2002, OECD continued to exercise pressure on the jurisdictions it had originally targeted. In April 2002, it unveiled a model agreement for effective information exchange, which would target taxes on income or profits, capital, net wealth and on estates, inheritances and gifts. In their turn, the targeted jurisdictions, including Bermuda, entered jointly into negotiations with OECD in order to protect their sovereignty and the privacy of their clients. From 26 October to 1 November 2002, the Government of the Cayman Islands hosted a meeting of the OECD members with representatives of the targeted jurisdictions.[14]

29. Another subject affecting so-called tax havens, namely the issue of cross-border taxation of savings accounts, including in offshore financial centres, has been discussed within the framework of the European Union since 1998. According to the information provided by the administering Power, the issue was discussed, among other things, during the meeting of the Overseas Territories Consultative Council in London in September 2002. The Prime Minister of Bermuda argued that the automatic exchange of information requirements under the draft directive prepared by the European Union were a significant departure from the existing arrangements

for supplying information on request. The proposed new system would be intrusive and resource-heavy. According to the Prime Minister, Bermuda had yet to see a compelling case for a change. She also noted that securing the commitment of all jurisdictions to the directive would be a necessary prerequisite for Bermuda's compliance. The Under-Secretary of State for the Foreign and Commonwealth Office recognized the importance of "a level playing field" for all jurisdictions. She stated that the OECD member States would have to remove "the harmful aspects of the preferential regimes" by April 2003 and committed jurisdictions by December 2005. Nevertheless, she threatened that OECD could take defensive action against tax havens that did not commit to transparency and an exchange of information. Following the request of the Government of the United Kingdom in October 2002 that the Caribbean Overseas Territories provide details of all savings account holders registered in the Territories by 15 November 2002, the Ministers of those Territories, including Bermuda, held an emergency meeting in the Cayman Islands. Although the Territories reaffirmed their willingness to cooperate, they stressed the need for a fair, transparent and non-discriminatory approach to the problem.[15]

30. During 2002, the United States Senate discussed measures to stop American companies from establishing their activities in Bermuda to save in taxes on earnings. Since 1994, 13 American companies have incorporated in Bermuda, while keeping their headquarters in the United States. According to press reports, Bermuda also attracted other offshore activities in the area of intellectual property, such as trademarks and patents. In July 2002, the United States House of Representatives voted against a proposal to ban Federal contracts for companies moving to Bermuda. However, new proposals remain under consideration to change the regulation on dividends taxes and capital gains. Those regulations, if approved, could make Bermuda less attractive for corporate investors because they would reduce the incentive for companies to be based offshore.[16]

## C. Tourism

31. Bermuda's tourism sector has continued its steady decline that began in the 1980s. The decline is mostly attributed to increased competition from cheaper destinations and the rapid growth of cruise ship tourism as a rival to stopover tourism throughout the Caribbean. The stopover subsection, whose clients tend to spend more money in the Territory, is losing market share to the cruise ship subsection, whose contribution to the economy of the Territory is minimal. In addition, the fact that 80 per cent of stopover visitors are from the United States makes Bermuda vulnerable to economic fluctuations in that country. Travel industry experts pointed out high prices, costly transportation, lack of direct flights from continental Europe and a scarcity of high-end entertainment among the problems facing the sector.

32. As was reported previously (A/AC.109/2001/9, paras. 33-34) the Government's management of the tourism sector has become a matter of political contention. The Government continues to consider that the tourist sector should measure its achievements not by the number of visitors but by the amount of acquired revenue. In an effort to boost tourism earnings, the Government hired consultants to formulate a Five-Year Development Plan, the first phase of which started in 2000 but has yet to produce results.[17] Other measures to halt the decline of the sector have been taken, such as granting tax concessions for hotel construction and plans to boost Bermuda as a luxury destination.

33. As was reported in the previous working paper (A/AC.109/2002/15, para. 27), after a disappointing 2001, the Bermuda tourist sector was hoping for a recovery in 2002. However, the results turned out worse than expected. Although Bermuda received more visitors than in 2001, the numbers were still lower than in preceding years. Cruise ship traffic, which accounts for only one tenth of tourism earnings, has increased at a more rapid rate than stopover tourism. For the first 11 months of 2002 a total of 471,635 visitors arrived on the island, 20,000 more than in 2001. Total tourist expenditure in the first nine months of 2002 was $321 million, 5.1 per cent higher than in the same period of 2001. At the National Tourism Conference in December 2002, the Government held talks with 15 airlines to attract new carriers to the Territory within the next two years. In 2003, the Government plans to increase its spending in advertising campaigns for tourism.[18]

## D. Construction

34. According to the Economist Intelligence Unit, the construction industry continues to benefit from private and public sector investment. The total value of construction put in place only in the third quarter of 2002 showed an increase of 20 per cent compared to the previous year, with homebuilding accounting for around 60 per cent of the total. Of the projects started during the quarter, more than half corresponded to the Bermuda Housing Corporation (BHC). The Berkeley project for a new secondary school was in the spotlight of the construction industry during all of 2002 for its continuing delay and increasing costs. The project contract for the new school was awarded in May 2001, but it is not expected to open before 2004 owing to delays, labour-related problems and the negative report of the Auditor General.[19]

## E. Transport and communications

35. Bermuda has a network of about 225 kilometres of paved public roads and another 400 kilometres of private roads. The number of cars licensed to operate on Bermuda's roads has increased by 70 per cent since 1980. During 2002, the Government discussed reforms on the Motor Car Act, such as increasing the sizes of vehicles allowed, changes in the purchase of vehicle regulations and driving licence system improvements. The bill was passed in June 2002.[20]

36. Airport services are reported to have improved considerably in recent years. There are regular and well-established services between Bermuda and the United States and to the United Kingdom.

37. According to the information provided by the administering Power, in September 2002, during the meeting of the Overseas Territories Consultative Council in London, the issues of the compliance with International Civil Aviation Organization standards and of aviation safety were discussed. The Prime Minister of Bermuda maintained that Bermuda airport already had very high safety standards and that it had received an award as one of the best airports in North America. For those reasons, her Government was not prepared to provide funds to improve safety in other Territories.

38. Hamilton serves as the main port in the Territory and supports container facilities, whereas port services are provided at St. George's and Ireland Island, a free port. In 2000, it was proposed to enlarge Hamilton docks in order to

accommodate larger cruise ships. There remained, however, fear that such a measure could put extra strain on the environment and infrastructure. In 2002, business leaders asked the Government to allow megaships to stop regularly in Bermuda. As an example of the possible advantages, they mentioned the arrival of the cruise line Triumph, which boosted revenues in dockyard by 100 per cent in June. Restaurants, water sports companies, taxis and businesses also benefited from that visit. The Government has so far followed a policy against megaships, but has not taken an official position on the new demands.[21]

39. According to *The Economist*, Bermuda leads the world in the number of telephone lines per 100 people (85.7). In Bermuda, 43.7 per cent of the population own computers, which puts the Territory in eighth place in the world, ahead of the United Kingdom.[22]

## V. Military issues

40. As reported in previous working papers (A/AC.109/2000/13, paras. 17-21 and A/AC.109/2002/15, paras. 35-36), the armed forces of the United States and the United Kingdom shut down their installations on Bermuda in 1995. The economic disruptions caused by the base closings for the most part seem to have been absorbed. Yet an important issue was the request made by the Government of Bermuda to the Government of the United States requesting the latter to clean up the areas of the island that it had polluted during its military presence. The Government of the United Kingdom cleaned up areas under its control before leaving Bermuda, but the Government of the United States had refused to do so. In 1998, the British Government took the lead in negotiations with the United States over cleaning up environmental damage at the former base lands. A 1997 study estimated clean-up costs at $65.7 million.

41. The base lands deal was negotiated by the British Government and resolved that Bermuda is to receive $11 million from the United States for the maintenance of Longbird Bridge and for the clean-up. On 18 June 2002, the Government of Bermuda accepted that deal as the full and final settlement of the 1941 United States Bases Agreement. Consequently, the Government of Bermuda agreed to pay the costs of the clean-up. The United States is also considering the possibility of providing a Coast Guard vessel and training in the United States for the Bermuda Regiment. The UBP opposition party claimed that the real cost of clean-up would be $65 million. The deal annuls the 1941 Leased Bases Agreement and the right of the United States to reoccupy the former Naval Annex at Southampton and the Naval Air Base at St. Davis. The United Kingdom declared that Bermuda had the responsibility for the clean-up of the former bases, but that Britain would provide technical support.[23]

## VI. Social conditions

### A. General

42. While Bermuda's GDP is among the highest in the world, redressing inequalities in wealth on the island has been a priority for the current Government, which has emphasized social development and has accordingly channelled increased resources towards human services areas such as health, education, housing and social welfare.

43. According to the 2000 census, median income has increased to $71,662 in Bermuda.[24] However, income inequalities based on race, gender and nationality have persisted. Pension income data were collected by the 2000 census for the first time in Bermuda. Persons over 54 years of age reported an average pension income of $11,286.

## B. Labour

44. With near-full employment and full pension coverage for Bermudians, most labour issues concern the quality of work available and the effect of foreign workers on the Bermuda labour market. In 2001, the Government set a six-year limit on work permits for foreign workers to ensure that more Bermudians are recruited and trained for the best jobs. According to press reports, the new rules and restrictions on work permits are in line with the PLP manifesto and show the attention of the PLP Government to racial issues. In 2002, the Immigration Office reported that it had issued between 7,500 and 8,000 new work permits, compared to 7,263 in 2001.[25]

45. The 2000 census shows the dependence on the foreign labour force, especially in professional jobs. The report also shows that the capital of Bermuda, Hamilton, employs two out of five workers. In 2000, 85 per cent of the population of working age was employed, up three percent from 1991. The biggest decline in employment was in the hotel sector, down 22 per cent, making it the ninth largest employer, whereas it was the second largest a decade ago. However, jobs with international companies soared 65 per cent. Business services also jumped from 1,692 to 3,198 employees. Another sector that grew considerably was education, health and social work, with the number of employees rising from 3,055 to 4,026. The census also showed that women in technical jobs outnumbered men, but men held more administrative and managerial positions. The number of working women rose from 76 per cent to 80 per cent. By race, whites held more professional jobs and were more likely to be managers or administrators, while blacks were mostly clerical, service and production and transport workers.

46. In 2002, the Bermuda Trade Union (BTUC), an organization that includes 7 of the 10 existing trade unions on the island, was granted legal status by the Senate. BTUC will not have the power to negotiate with employers or to call strikes, but will serve more as a consultative body over labour issues. In addition, the new status will allow its delegates to represent Bermuda at International Labour Organization conferences.[26] During 2002, teachers and taxi drivers protested their working conditions and regulations. The teachers claimed that new civil servants with a bachelor's degree were paid $51,041, while teachers without a degree earned $46,827. Because of those alleged disparities, in October 2002, the teachers started a strike that the Government declared illegal.

47. Protests by taxi drivers were caused by the introduction of a new tracking system based on global positioning system (GPS) technology. In May 2002, taxi drivers argued that the decision was undemocratic and went on strike. In June 2002, the Motor Car Amendment Act made the GPS system mandatory for taxis with a grace period of 18 months for installation.[27]

## C. Education

48. Education in Bermuda is compulsory for all children from 5 to 16 years of age and is free in government schools. The literacy rate is high: 98 per cent of all males and 99 per cent of females 15 years of age and over can read and write. There are 39 State schools — 30 primary, 5 middle, 2 secondary and 2 special schools. There are some private schools as well. In the 2000-2001 academic year, 6,378 students were enrolled in government schools and 3,612 in private schools, with a further 950 on waiting lists. There are 12 pre-primary schools in Bermuda, serving approximately 452 pupils. There are 713 teachers in the State school system.

49. There are no degree-conferring universities in Bermuda. The Government awards a number of scholarships each year to young Bermudians accepted at universities in the United States, Canada and the United Kingdom. Scholarships are also awarded by local banks, principal law firms and Bermuda-based international companies. Under the Government's National Education Guarantee Scheme, begun in 1994, no Bermudian student with university potential is denied an opportunity for further education owing to a lack of funds.

50. Bermuda considers the high level of education of its inhabitants to be a major component of its comparative advantage relative to other offshore centres. According to the 2000 census, Bermuda residents are better educated than in 1991, with 20 per cent of residents holding university degrees. The census also revealed a serious disparity between white students going to private schools (three quarters) and the black students attending the government educational system. Private schools are also growing in number, while there was a decline in the number of students enrolled in the public school system, from 77 per cent in the last decade to 62 per cent currently. The number of individuals in senior school fell by 6 per cent, whereas the number of university degree holders grew by 9 per cent. The number of black Bermudians holding degrees has risen from 1,730 to 2,844 since 1991. At the same time, the proportion of black inhabitants without academic certification dropped to 34 per cent. Higher education is strongly linked to higher incomes, $54,488 being the average income for those holding the bachelor's degree and $28,256 for those without formal certificates. The same relation exists for those holding the master's degree ($63,834) and the Ph.D. degree ($75,710).

## D. Public health

51. Medical care is provided by private practitioners and three government health clinics. Fees are charged for hospital care and medical insurance is compulsory for all workers. A hospital levy covers the cost of services rendered by the hospitals to children under 16 years of age. Indigent persons over 65 years of age pay 20 per cent of hospital costs. According to the Health Insurance Association of Bermuda, the cost of health care has increased 100 per cent over the past decade owing to greater technology, an ageing population and more demanding patients.

52. At the end of 2002, doctors and health insurers reached an agreement for a new fee coding system. That agreement ends a dispute between insurers and doctors about how much the insurance should cover and on the methods of payment. New fees will also be renegotiated for implementation in 2003.[28]

53. According to *The Economist*, Bermuda ranks sixth in the world for the incidence of AIDS. Press reports indicate a decline in the number of new cases of AIDS, while sexually transmitted infections (including gonorrhoea, herpes and syphilis) have been rising rapidly. In 2002, seven new cases of HIV/AIDS were reported, raising the number of persons in Bermuda affected by the virus to 475.

54. The National Drug Commission received $6 million in the 2002 budget. During 2002, the Commission was criticized for its handling of public funds, in particular for the decision to close the only drug rehabilitation centre for women, Fair Haven. In January 2003, facing the protests of the inhabitants of the island, the authorities withdrew the decision, but the future of that institution remains unclear.[29]

## E. Housing

55. Housing prices are high in Bermuda and a shortage of residential housing still exists. The Government continued to support the Bermuda Housing Corporation, which it created to solve the housing crisis of the 1980s and to provide affordable housing to low-income families in Bermuda. In the period 2001-2002, the Corporation received a non-recurring grant increase of $1.2 million to stabilize its cash flow position until it begins to receive rental income from its new additions to the rental stock. Once that income begins to be generated, the Corporation's grant would be reduced to its former level of approximately $2.5 million.

56. Statistics in the 2000 census showed that the number of units in the island increased by 12 per cent, bringing the total to 24,761. With an average of 2.47 persons per household, at least 385 more units were required. The census also showed that while the number of available houses had increased, single women with children still suffer discrimination in the market.

57. In March 2002, the Auditor General and police began conducting an investigation of alleged cases of corruption within the Corporation. In September 2002, a new Minister of Housing was designated by the Premier. The new Minister took over the responsibility for the Bermuda Housing Corporation as well as the Bermuda Land Development Company.[30]

## F. Immigration

58. The strength of Bermuda's economy and its consequent need for labour has made immigration a permanent feature of Bermuda's socio-economic profile. Under the 1968 Constitution, Bermuda has the authority to determine its own immigration policy. Many immigrants have stayed in Bermuda and have been granted residency status. As was reported previously (A/AC.109/2002/15, paras. 49-51), the Territorial Government has been continuously trying to control unauthorized residency in Bermuda.

59. In July 2001, the Government announced that hundreds of long-term foreign residents in Bermuda, long denied equal rights to home ownership and employment, would be eligible for citizenship. In December 2002, the Government began to process the applications of long-term residents who were hoping to get Bermudian status and permanent resident's certification (PRC). Around 400 long-term residents were eligible for the status and a further 1,100 could be expected to apply for PRC.

There are 2,000 foreign residents who have been living on the island for 20 years or more. PRC would give them the right to work and retire in Bermuda. The applications follow changes made in the Bermuda Immigration and Protection Act in 2002.[31]

60. At the same time, the Government is trying to fight illegal immigration. In particular, a new measure taken by the Government requires Jamaican visitors to hold a visa to enter the Territory. That measure came into force in January 2003 and was labelled as discriminatory by the leader of the Jamaican Association in Bermuda. The officials justified the measure with the increase in drug smuggling coming from Jamaica.

61. As part of the measures taken to improve security after the events of 11 September, the Department of Immigration and Naturalization of the United States decided that permanent residents travelling to the United States from Bermuda will need a visa to enter the country.[32]

## G. Human rights and related issues

62. As reported in a previous working paper (A/AC.109/2001/9, para. 74), Bermuda is covered by the human rights conventions, pursuant to accession thereto by the United Kingdom. The Government of the United Kingdom continued to insist that Bermuda's legislators should promote European standards on human rights issues, in particular on sexual discrimination.[33]

## H. Crime

63. The new visa regulations for visitors coming from Jamaica were established in part because of problems related to drug trafficking. Jamaica is considered to be the main point for smuggling Colombian cocaine into Britain and the United States, as well as the major supplier of marijuana.[34] During 2002, the arrests of a number of Jamaican citizens at the airport induced the Government to step up its efforts to fight drug trafficking. According to press reports, violence and tension related to drugs have also increased in the local Jamaican community.[35]

64. While Bermuda does not make it onto lists of countries with the highest crime statistics, its prison population statistics are quite different. According to *The Economist*, at 447 prisoners per 100,000 population, the island's lock-up rate is the seventh highest in the world. Since approximately 80 per cent of offenders who have served time in Bermuda prisons have returned to institutions within 12 months of their release, the Prisons Commissioner proposed the recruitment of specialized professionals in the reintegration of prisoners.[36]

# VII. Relations with international organizations/arrangements

65. As was reported previously (A/AC.109/2002/15, para. 63), Bermuda has observer status in the Caribbean Community (CARICOM) and Common Market. Recently, it wanted to become an associate CARICOM member. In 2002, the British Government approved the decision on condition that it would not interfere with external relations, defence or security. According to press reports, the Premier said,

"We have long desired to strengthen links between Bermuda and the islands of the Caribbean. We already have formal and informal links and share many similarities with the Caribbean."[37] However, the opposition UBP opposed the stance because of the economic implications of becoming a full member of CARICOM. The UBP leader pointed out that "Bermuda has cultural and social ties with the Caribbean and these are good links to have. We don't need CARICOM to strengthen these ties. Bermuda interests are more with the United States and the European Union and less with the Caribbean."[38] The debate will move to Bermuda's Parliament when it discusses the issue in 2003.

# VIII. Future political status of the Territory

## A. Position of the administering Power

66. On 1 October 2002, the representative of the United Kingdom made a statement before the Special Political and Decolonization Committee (Fourth Committee) (see A/C.4/57/SR.3) in which she said that her Government, as an administering Power, was pleased to report that further progress had been made towards modernization and development of the relationship between the United Kingdom and its Overseas Territories. The fourth annual meeting of the Overseas Territories Consultative Council had been held in London in September 2002, providing a forum for structured political dialogue between democratically elected chief ministers and ministers of her Government with regard to the relationship, based on partnership, between the United Kingdom and its Territories. It had also enabled those present to consult on matters such as the process of constitutional review, human rights and environmental issues arising from the United Kingdom's international commitments.

67. The partnership between the United Kingdom and its Overseas Territories continued to evolve: on 26 February 2002, the British Overseas Territories Act had become law, with effect from 21 May 2002, granting citizens of the Territories British citizenship, with right of abode in the United Kingdom and freedom of movement in Europe; it formally changed the nomenclature from "dependent" to "overseas" Territories in order to reflect more accurately the nature of the relationship. Furthermore, constitutional review was under way in almost all the Territories, for the first time with the participation of locally appointed review commissions, with a view to providing each Territory with a modern constitution suitable for its long-term development which reflected its specific circumstances. Some reviews were almost complete, others were well under way and Ascension Island, for example, would have elected an island council by the end of 2002.

68. The representative of the United Kingdom added that work was under way to implement the Guiding Principles of the Environment Charter for the Overseas Territories, adopted in September 2001. Pilot projects had been approved for two Territories and would be carefully monitored for suitability elsewhere. Multilateral environmental agreements would be extended to the Territories and national legislation would be strengthened. Projects had been implemented to address key areas such as habitat restoration, surveys of living resources, tackling of invasive species and capacity-building for civil society institutions. Her Government would also assist the Territories to access regional and bilateral European Commission

trade, economic and development assistance within the framework of the November 2001 Overseas Association Decision.

69. The wishes of the peoples of the Territories, exercised in accordance with the Charter of the United Nations and other international treaties, were of paramount importance for the United Kingdom. The relationship between her Government and its Territories was based on fundamental principles such as self-determination, mutual obligations, freedom for the Territories to run their affairs to the greatest degree possible and the firm commitment from her Government to help the Territories economically and during emergencies.

70. The representative of the United Kingdom said that there was a basic commonality of approach between her Government and the Committee and she therefore regretted that relevant resolutions, in particular those of the Special Committee on decolonization, did not always properly reflect that commonality. The annual omnibus resolution recalled that there was no alternative to the principle of self-determination and it was unfortunate that the Special Committee continued to apply that principle selectively. Her Government fully intended to continue to work with the Special Committee, as had been demonstrated at the regional seminar of the Special Committee held in Fiji in 2002.

## B. Consideration by the United Nations

71. On 11 December 2002, the General Assembly adopted, without a vote, resolutions 57/138 A and B, section B.III of which concerns Bermuda.

*Notes*

[1] The information contained in the present working paper has been derived from published sources, including Internet sites.

[2] NewsEdge, 14 February 2002.

[3] *The Royal Gazette*, 12 October 2002.

[4] *The Europa World Year Book*, 2001, Bermuda.

[5] *The Royal Gazette*, 12 October 2002.

[6] Ibid., 4 January 2002.

[7] www.eiu.com.

[8] Ibid.

[9] www.bermudasun.org, 14 February 2003.

[10] www.deloitte.bm (Bermuda Budget Summary).

[11] www.deloitte.bm (Guide for International Business in Bermuda).

[12] *Financial Times*, 22 November 2002.

[13] www.eiu.com.

[14] http://www.oecd.org/EN/document/0,,EN-document-103-3-no-12-36128-0,00.html.

[15] *Wall Street Journal*, 22 November 2002.

[16] Ibid., 13 January 2003.

[17] Ibid., 10 December 2001.

[18] Ibid., 9 December 2002.

[19] Ibid., 24 December 2002.

[20] Ibid., 17 July 2002.

[21] Ibid., 8 July 2002.

[22] Ibid., 7 November 2001.

[23] Ibid., 22 July 2002.

[24] Ibid., 11 July 2002.

[25] Ibid., 16 June 2002.

[26] Ibid., 11 July 2002.

[27] Ibid., 8 June 2002.

[28] Ibid., 3 December 2002.

[29] Ibid., 11 January 2003.

[30] Ibid., 9 October 2002.

[31] Ibid., 19 December 2002.

[32] Agence France Press, 31 January 2003.

[33] Ibid., 22 July 2002.

[34] Ibid., 9 January 2003.

[35] Ibid., 11 December 2002.

[36] Ibid., 21 August 2002.

[37] *Financial Times*, 22 November 2002.